

MENDOCINO COUNTY ECONOMIC FORECAST

The Mendocino County economy is growing slowly. Since 2012, it has generated just 500 jobs per year, an average annual expansion of 1.8 percent. By contrast, the statewide economy created jobs at a rate of 2.6 percent per year.

Construction activity has been very low in Mendocino County, but is expected to increase in 2018 and 2019. As of mid-2018, wildfires had destroyed more than 300 homes, and many will be rebuilt in the coming years. This will lead to a surge in development activity, generating 350 new construction jobs.

The unemployment rate in Mendocino County is exceptionally low. By 2017 it had improved to 4.5 percent, which is the lowest rate on record. This signifies that the economy has reached a “full employment” scenario, meaning that almost everyone who wants a job already has a job. Under these conditions, job growth typically slows and improvements in the unemployment rate become minimal. But because several hundred homes will need to be rebuilt, and new construction workers will be hired, the unemployment rate could fall as low as 3.4 percent within the next few years.

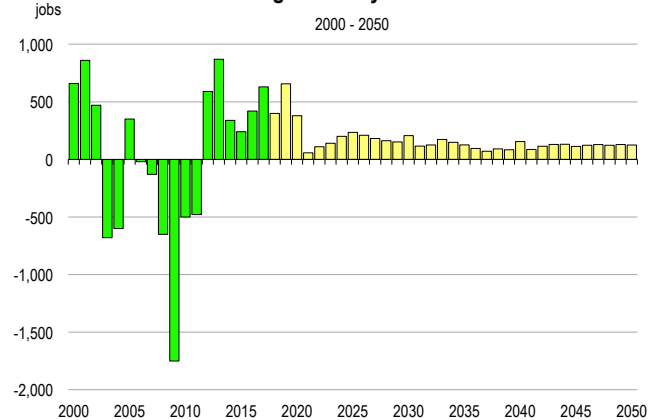
The value of Mendocino County’s agricultural production has declined steadily since 2013. Similar to other parts of California, drought conditions and lower commodity prices have resulted in less revenue for local farms. But voters have elected to legalize cannabis in California, and this should lead to higher crop values in Mendocino County.

It is widely assumed that Mendocino County already produces a substantial amount of cannabis, but that most is not counted in official records of agricultural production. The rate at which cannabis growers obtain permits from state and local governments, and therefore enter the legal market, will influence the official estimates of Mendocino County’s agricultural output (as well as agricultural employment). As of mid-2018, fewer growing permits had been issued than expected, indicating that many growers are delaying entry into the legal market, or opting not to enter the legal market at all.

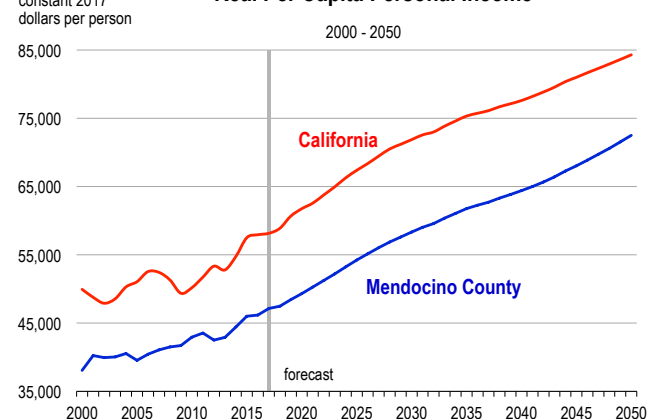
FORECAST HIGHLIGHTS

- Job growth of 1.2 percent is expected in 2018. Between 2018 and 2023, the annual growth rate will average 0.8 percent.
- Between 2018 and 2023, job creation will be concentrated in leisure services, healthcare and education, retail trade, and government. Combined, these industries will account for 65 percent of net job creation through 2023.
- The construction industry will generate a large number of jobs through 2020, but may begin to lose jobs near the end of the forecast period.

Total Wage & Salary Job Creation



Real Per Capita Personal Income

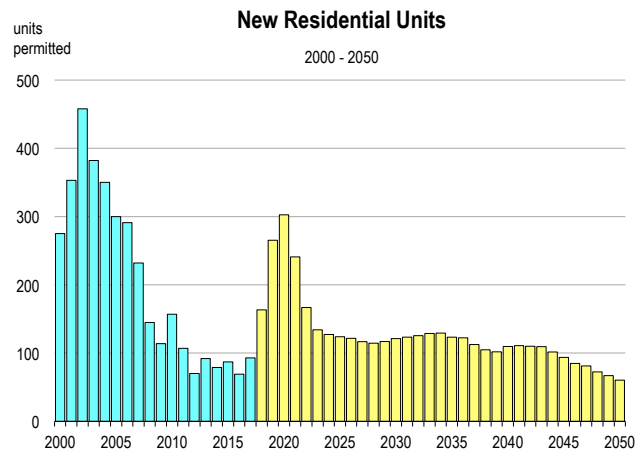
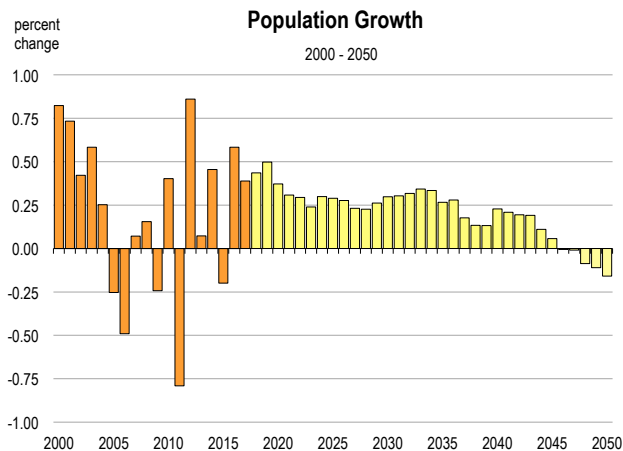


- Average salaries are below the California average, and will remain so over the foreseeable future. In Mendocino County, inflation-adjusted salaries are expected to rise by 1.2 percent per year from 2018 to 2023, which will be slower than statewide growth.
- Housing production will accelerate sharply over the next few years as homes are rebuilt. Between 2018 and 2023, ground will break on an average of 220 homes each year.
- Non-residential construction activity will also increase. Many of the commercial structures destroyed in the fires will be rebuilt, and an average of \$23 million will be invested into non-residential structures each year.
- Population growth is expected to average 0.3 percent per year from 2018 to 2023. An average of 170 net migrants will enter the county each year, and the natural increase (new births) will add 140 residents to the county each year.

Mendocino County Economic Forecast

2010-2017 History, 2018-2050 Forecast

| | Population (people) | Net Migration (people) | Registered Vehicles (thousands) | Households (thousands) | New Homes Permitted (homes) | Total Taxable Sales (billions) | Personal Income (billions) | Real Per Capita Income (dollars) | Inflation Rate (% change in CPI) | Real Farm Crop Value (millions) | Real Industrial Production (millions) | Unemploy- ment Rate (percent) |
|------|------------------------|------------------------------|---------------------------------------|---------------------------|-----------------------------------|--------------------------------------|----------------------------------|--|--|---------------------------------------|---|-------------------------------------|
| 2010 | 87,921 | 51 | 111.7 | 34.9 | 157 | \$1.08 | \$3.26 | \$42,946 | 1.3 | 134.6 | 774.8 | 11.6 |
| 2011 | 87,226 | -883 | 110.2 | 35.0 | 107 | \$1.16 | \$3.37 | \$43,551 | 2.7 | 130.2 | 769.5 | 11.4 |
| 2012 | 87,976 | 430 | 108.9 | 34.7 | 70 | \$1.22 | \$3.39 | \$42,497 | 2.7 | 160.0 | 863.1 | 10.0 |
| 2013 | 88,040 | -161 | 111.6 | 34.3 | 92 | \$1.30 | \$3.47 | \$42,904 | 2.3 | 170.4 | 890.2 | 8.4 |
| 2014 | 88,440 | 181 | 113.1 | 34.3 | 79 | \$1.33 | \$3.68 | \$44,429 | 2.8 | 149.0 | 903.6 | 7.0 |
| 2015 | 88,264 | -350 | 115.6 | 34.3 | 87 | \$1.38 | \$3.86 | \$46,021 | 2.6 | 145.4 | 826.0 | 5.8 |
| 2016 | 88,779 | 403 | 118.7 | 34.4 | 69 | \$1.42 | \$3.98 | \$46,173 | 3.1 | 140.8 | 828.7 | 5.3 |
| 2017 | 89,124 | 161 | 116.3 | 34.5 | 93 | \$1.48 | \$4.20 | \$47,135 | 3.2 | 135.4 | 872.0 | 4.5 |
| 2018 | 89,512 | 235 | 117.6 | 34.5 | 163 | \$1.54 | \$4.39 | \$47,478 | 3.7 | 140.6 | 928.8 | 3.8 |
| 2019 | 89,957 | 292 | 119.1 | 34.5 | 265 | \$1.62 | \$4.61 | \$48,435 | 3.1 | 146.5 | 935.4 | 3.4 |
| 2020 | 90,292 | 187 | 120.5 | 34.6 | 303 | \$1.71 | \$4.87 | \$49,319 | 4.1 | 154.3 | 956.9 | 3.7 |
| 2021 | 90,570 | 134 | 121.8 | 34.6 | 241 | \$1.79 | \$5.12 | \$50,259 | 3.6 | 159.6 | 980.7 | 3.9 |
| 2022 | 90,836 | 127 | 123.1 | 34.7 | 167 | \$1.86 | \$5.38 | \$51,241 | 3.5 | 169.9 | 1,000.1 | 4.0 |
| 2023 | 91,053 | 83 | 124.2 | 34.7 | 134 | \$1.94 | \$5.64 | \$52,209 | 3.4 | 180.2 | 1,024.9 | 4.2 |
| 2024 | 91,326 | 140 | 125.4 | 34.8 | 127 | \$2.02 | \$5.91 | \$53,246 | 3.3 | 190.5 | 1,048.5 | 4.4 |
| 2025 | 91,590 | 137 | 126.5 | 34.8 | 124 | \$2.12 | \$6.18 | \$54,245 | 3.1 | 205.9 | 1,072.7 | 4.6 |
| 2026 | 91,843 | 130 | 127.7 | 34.9 | 122 | \$2.21 | \$6.44 | \$55,130 | 3.1 | 216.2 | 1,098.5 | 4.8 |
| 2027 | 92,055 | 97 | 128.7 | 35.0 | 117 | \$2.30 | \$6.70 | \$56,036 | 3.0 | 221.5 | 1,123.9 | 4.9 |
| 2028 | 92,264 | 100 | 129.8 | 35.0 | 115 | \$2.40 | \$6.97 | \$56,887 | 3.3 | 224.8 | 1,151.7 | 4.9 |
| 2029 | 92,505 | 136 | 130.8 | 35.1 | 117 | \$2.48 | \$7.24 | \$57,616 | 3.1 | 227.1 | 1,178.3 | 4.9 |
| 2030 | 92,781 | 177 | 131.8 | 35.1 | 121 | \$2.57 | \$7.52 | \$58,345 | 3.0 | 229.4 | 1,203.9 | 5.0 |
| 2031 | 93,062 | 186 | 132.7 | 35.2 | 123 | \$2.67 | \$7.79 | \$59,028 | 2.9 | 230.7 | 1,229.7 | 5.0 |
| 2032 | 93,357 | 204 | 133.6 | 35.3 | 126 | \$2.77 | \$8.07 | \$59,573 | 3.1 | 232.0 | 1,256.2 | 5.0 |
| 2033 | 93,677 | 230 | 134.5 | 35.3 | 129 | \$2.88 | \$8.36 | \$60,368 | 2.7 | 233.3 | 1,283.3 | 5.0 |
| 2034 | 93,990 | 226 | 135.4 | 35.4 | 129 | \$2.98 | \$8.67 | \$61,082 | 2.9 | 234.6 | 1,310.9 | 5.0 |
| 2035 | 94,240 | 169 | 136.2 | 35.5 | 123 | \$3.09 | \$8.98 | \$61,775 | 3.0 | 235.8 | 1,339.3 | 5.0 |
| 2036 | 94,503 | 188 | 137.0 | 35.5 | 122 | \$3.20 | \$9.31 | \$62,258 | 3.4 | 236.1 | 1,368.3 | 5.0 |
| 2037 | 94,670 | 98 | 137.7 | 35.6 | 113 | \$3.31 | \$9.65 | \$62,716 | 3.5 | 236.9 | 1,398.0 | 5.0 |
| 2038 | 94,796 | 64 | 138.5 | 35.7 | 105 | \$3.42 | \$10.00 | \$63,317 | 3.3 | 237.4 | 1,428.5 | 5.0 |
| 2039 | 94,921 | 71 | 139.1 | 35.7 | 102 | \$3.53 | \$10.37 | \$63,830 | 3.5 | 237.9 | 1,459.6 | 5.0 |
| 2040 | 95,138 | 167 | 139.8 | 35.8 | 110 | \$3.64 | \$10.75 | \$64,389 | 3.4 | 238.5 | 1,491.6 | 5.0 |
| 2041 | 95,336 | 158 | 140.5 | 35.8 | 111 | \$3.75 | \$11.14 | \$64,993 | 3.2 | 239.0 | 1,524.2 | 5.0 |
| 2042 | 95,521 | 151 | 141.1 | 35.9 | 110 | \$3.87 | \$11.54 | \$65,671 | 3.1 | 239.5 | 1,557.7 | 5.0 |
| 2043 | 95,703 | 157 | 141.7 | 36.0 | 109 | \$3.98 | \$11.95 | \$66,415 | 3.0 | 239.9 | 1,592.0 | 5.0 |
| 2044 | 95,809 | 90 | 142.3 | 36.0 | 102 | \$4.10 | \$12.36 | \$67,275 | 2.8 | 240.2 | 1,627.1 | 5.0 |
| 2045 | 95,864 | 49 | 142.9 | 36.1 | 94 | \$4.22 | \$12.78 | \$68,042 | 3.0 | 240.8 | 1,663.1 | 5.0 |
| 2046 | 95,859 | -1 | 143.5 | 36.2 | 85 | \$4.34 | \$13.21 | \$68,884 | 2.9 | 241.7 | 1,699.9 | 5.0 |
| 2047 | 95,850 | 3 | 144.1 | 36.2 | 81 | \$4.46 | \$13.65 | \$69,729 | 2.9 | 241.9 | 1,737.7 | 5.0 |
| 2048 | 95,767 | -62 | 144.7 | 36.3 | 72 | \$4.59 | \$14.10 | \$70,614 | 2.9 | 242.7 | 1,776.3 | 5.0 |
| 2049 | 95,662 | -75 | 145.2 | 36.3 | 67 | \$4.72 | \$14.57 | \$71,551 | 2.9 | 243.0 | 1,815.9 | 5.0 |
| 2050 | 95,510 | -112 | 145.8 | 36.4 | 60 | \$4.85 | \$15.05 | \$72,514 | 2.9 | 243.4 | 1,856.5 | 5.0 |

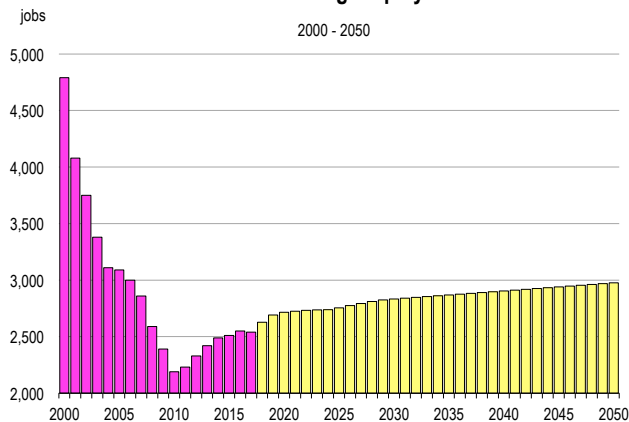


Mendocino County Employment Forecast

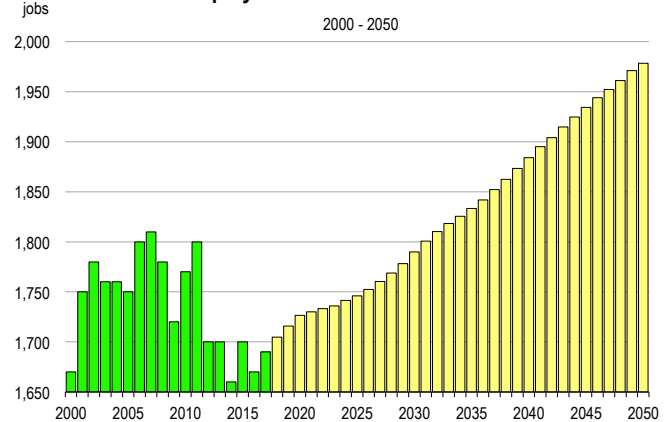
2010-2017 History, 2018-2050 Forecast

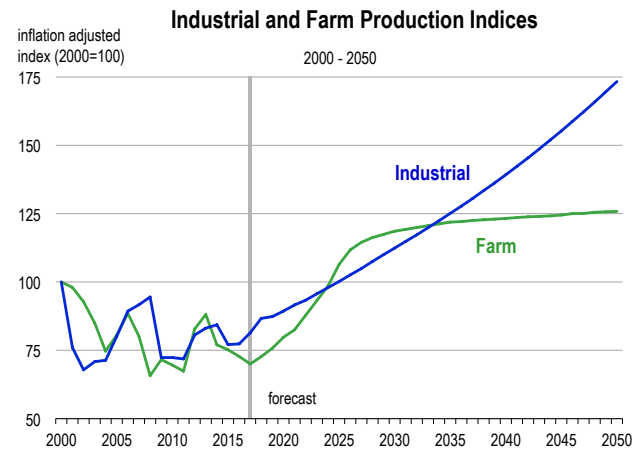
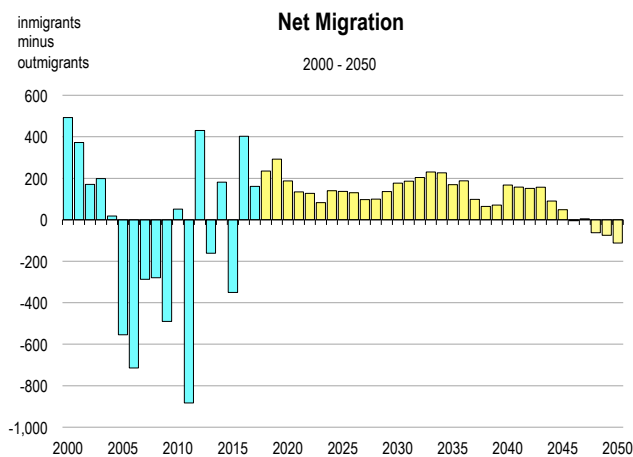
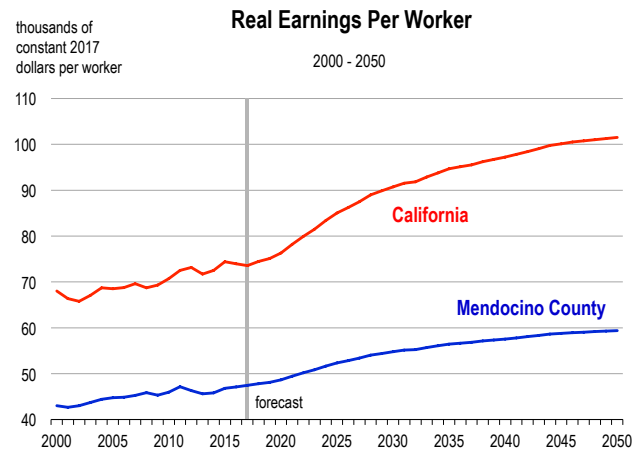
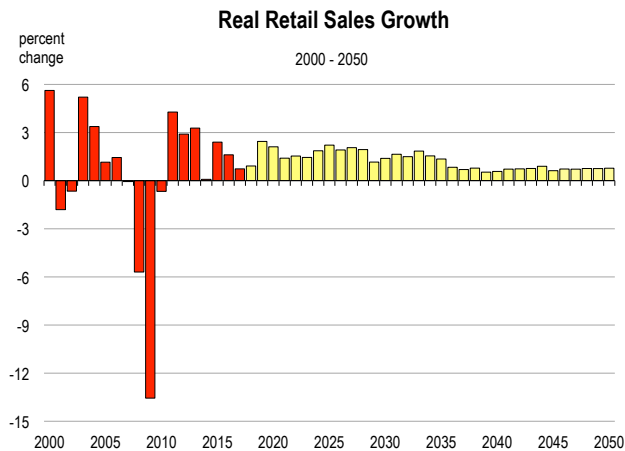
| | Total Wage & Salary | Farm | Construction | Manufac- turing | Transportation & Utilities | Wholesale & Retail Trade | Financial Activities | Professional Services | Information | Health & Education | Leisure | Government |
|--|------------------------|------|--------------|--------------------|-------------------------------|-----------------------------|-------------------------|--------------------------|-------------|-----------------------|---------|------------|
| -----employment (thousands of jobs)----- | | | | | | | | | | | | |
| 2010 | 30.5 | 1.6 | 0.9 | 2.2 | 0.6 | 5.1 | 1.2 | 1.8 | 0.3 | 4.9 | 3.7 | 7.3 |
| 2011 | 30.0 | 1.5 | 0.9 | 2.2 | 0.6 | 5.0 | 1.1 | 1.8 | 0.3 | 4.9 | 3.6 | 7.1 |
| 2012 | 30.6 | 1.5 | 1.0 | 2.3 | 0.6 | 5.1 | 1.1 | 1.7 | 0.3 | 5.3 | 3.7 | 6.9 |
| 2013 | 31.4 | 1.5 | 1.0 | 2.4 | 0.7 | 5.2 | 1.0 | 1.7 | 0.3 | 5.5 | 4.2 | 7.0 |
| 2014 | 31.8 | 1.5 | 1.0 | 2.5 | 0.7 | 5.2 | 1.1 | 1.7 | 0.3 | 5.6 | 4.2 | 7.0 |
| 2015 | 32.0 | 1.4 | 1.0 | 2.5 | 0.7 | 5.4 | 1.0 | 1.7 | 0.3 | 5.5 | 4.3 | 7.1 |
| 2016 | 32.4 | 1.4 | 1.1 | 2.6 | 0.7 | 5.5 | 1.1 | 1.7 | 0.3 | 5.6 | 4.4 | 7.2 |
| 2017 | 33.1 | 1.4 | 1.2 | 2.5 | 0.7 | 5.6 | 1.1 | 1.7 | 0.2 | 5.8 | 4.5 | 7.2 |
| 2018 | 33.5 | 1.4 | 1.3 | 2.6 | 0.7 | 5.6 | 1.1 | 1.7 | 0.2 | 5.9 | 4.5 | 7.3 |
| 2019 | 34.1 | 1.5 | 1.5 | 2.7 | 0.7 | 5.7 | 1.1 | 1.7 | 0.2 | 5.9 | 4.6 | 7.4 |
| 2020 | 34.5 | 1.5 | 1.6 | 2.7 | 0.7 | 5.7 | 1.1 | 1.7 | 0.2 | 6.0 | 4.6 | 7.5 |
| 2021 | 34.6 | 1.6 | 1.4 | 2.7 | 0.7 | 5.7 | 1.1 | 1.7 | 0.2 | 6.0 | 4.7 | 7.6 |
| 2022 | 34.7 | 1.7 | 1.3 | 2.7 | 0.7 | 5.8 | 1.1 | 1.7 | 0.2 | 6.0 | 4.7 | 7.6 |
| 2023 | 34.8 | 1.7 | 1.2 | 2.7 | 0.7 | 5.8 | 1.1 | 1.7 | 0.2 | 6.1 | 4.7 | 7.7 |
| 2024 | 35.0 | 1.8 | 1.2 | 2.7 | 0.8 | 5.8 | 1.1 | 1.7 | 0.2 | 6.1 | 4.7 | 7.7 |
| 2025 | 35.2 | 1.9 | 1.2 | 2.8 | 0.8 | 5.8 | 1.1 | 1.7 | 0.2 | 6.1 | 4.7 | 7.8 |
| 2026 | 35.5 | 2.0 | 1.2 | 2.8 | 0.8 | 5.9 | 1.1 | 1.8 | 0.2 | 6.2 | 4.8 | 7.8 |
| 2027 | 35.6 | 2.0 | 1.2 | 2.8 | 0.8 | 5.9 | 1.1 | 1.8 | 0.2 | 6.2 | 4.8 | 7.9 |
| 2028 | 35.8 | 2.0 | 1.2 | 2.8 | 0.8 | 5.9 | 1.1 | 1.8 | 0.2 | 6.2 | 4.8 | 7.9 |
| 2029 | 36.0 | 2.0 | 1.2 | 2.8 | 0.8 | 5.9 | 1.1 | 1.8 | 0.2 | 6.3 | 4.8 | 7.9 |
| 2030 | 36.2 | 2.1 | 1.2 | 2.8 | 0.8 | 5.9 | 1.1 | 1.8 | 0.2 | 6.3 | 4.8 | 8.0 |
| 2031 | 36.3 | 2.1 | 1.2 | 2.8 | 0.8 | 6.0 | 1.1 | 1.8 | 0.2 | 6.3 | 4.8 | 8.0 |
| 2032 | 36.4 | 2.1 | 1.2 | 2.8 | 0.8 | 6.0 | 1.1 | 1.8 | 0.2 | 6.4 | 4.9 | 8.1 |
| 2033 | 36.6 | 2.1 | 1.2 | 2.9 | 0.8 | 6.0 | 1.1 | 1.8 | 0.2 | 6.4 | 4.9 | 8.1 |
| 2034 | 36.7 | 2.1 | 1.2 | 2.9 | 0.8 | 6.0 | 1.1 | 1.8 | 0.3 | 6.4 | 4.9 | 8.2 |
| 2035 | 36.8 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.8 | 0.3 | 6.5 | 4.9 | 8.2 |
| 2036 | 36.9 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.8 | 0.3 | 6.5 | 4.9 | 8.3 |
| 2037 | 37.0 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.5 | 4.9 | 8.3 |
| 2038 | 37.1 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.6 | 5.0 | 8.3 |
| 2039 | 37.2 | 2.1 | 1.1 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.6 | 5.0 | 8.3 |
| 2040 | 37.3 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.6 | 5.0 | 8.3 |
| 2041 | 37.4 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.7 | 5.0 | 8.3 |
| 2042 | 37.5 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.7 | 5.0 | 8.4 |
| 2043 | 37.7 | 2.1 | 1.2 | 2.9 | 0.8 | 6.1 | 1.1 | 1.9 | 0.3 | 6.7 | 5.0 | 8.4 |
| 2044 | 37.8 | 2.1 | 1.1 | 2.9 | 0.8 | 6.2 | 1.1 | 1.9 | 0.3 | 6.8 | 5.0 | 8.5 |
| 2045 | 37.9 | 2.1 | 1.1 | 2.9 | 0.8 | 6.2 | 1.1 | 1.9 | 0.3 | 6.8 | 5.1 | 8.5 |
| 2046 | 38.0 | 2.1 | 1.1 | 2.9 | 0.8 | 6.2 | 1.1 | 1.9 | 0.3 | 6.8 | 5.1 | 8.6 |
| 2047 | 38.2 | 2.1 | 1.1 | 3.0 | 0.8 | 6.2 | 1.1 | 2.0 | 0.3 | 6.9 | 5.1 | 8.6 |
| 2048 | 38.3 | 2.1 | 1.1 | 3.0 | 0.8 | 6.2 | 1.1 | 2.0 | 0.3 | 6.9 | 5.1 | 8.7 |
| 2049 | 38.4 | 2.1 | 1.1 | 3.0 | 0.8 | 6.2 | 1.1 | 2.0 | 0.3 | 6.9 | 5.1 | 8.8 |
| 2050 | 38.6 | 2.1 | 1.1 | 3.0 | 0.8 | 6.2 | 1.1 | 2.0 | 0.3 | 7.0 | 5.1 | 8.8 |

Manufacturing Employment



Employment in Professional Services





County Economic and Demographic Indicators

Projected Economic Growth (2018-2023)

| | |
|----------------------------------|-------------|
| Expected retail sales growth: | 9.3% |
| Expected job growth: | 4.0% |
| Fastest growing jobs sector: | Agriculture |
| Expected personal income growth: | 10.1% |

| | |
|--|-------|
| Expected population growth: | 1.7% |
| Net migration to account for: | 53.5% |
| Expected growth in number of vehicles: | 5.6% |

Demographics (2018)

| | |
|---|-------|
| Unemployment rate (April 2018): | 3.8% |
| County rank* in California (58 counties): | 24th |
| Working age (16-64) population: | 59.9% |

| | |
|--|-----------|
| Population with B.A. degree or higher: | 26.4% |
| Median home selling price (2017): | \$360,000 |
| Median household income: | \$45,315 |

Quality of Life

| | |
|---|-------------------------|
| Violent crime rate (2016): | 633 per 100,000 persons |
| County rank* in California (58 counties): | 53rd |
| Average commute time to work (2018): | 22 minutes |

| | |
|--|-------|
| High School drop out rate (2017): | 8.0% |
| Households at/below poverty line (2018): | 14.7% |

* The county ranked 1st corresponds to the lowest rate in California